

REVENUE WATCH INSTITUTE

FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006



LUZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP
300 EAST 42ND ST., NEW YORK, NY 10017
212-697-2299 Fax 212-949-1768

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Revenue Watch Institute

We have audited the accompanying statements of financial position of Revenue Watch Institute (a not-for-profit corporation) as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of the Organization. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Revenue Watch Institute as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lutz + Carr, LLP

New York, New York
October 31, 2008

REVENUE WATCH INSTITUTE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006

	2007	2006
Assets		
Cash and cash equivalents (Notes 1b and 2)	\$2,469,670	\$2,388,085
Contributions receivable (Notes 1c and 4)		
Unrestricted	383,679	62,540
Restricted for future programs	3,575,817	800,112
Prepaid expenses	25,461	27,401
Property and equipment, at cost (net of accumulated depreciation) (Notes 1d and 5)	102,325	2,420
Total Assets	\$6,556,952	\$3,280,558
Liabilities and Net Assets		
Liabilities		
Accrued expenses	\$ 179,059	\$ 84,722
Due to Open Society Institute (Note 7)	547,774	497,133
Grants payable (Note 1e)	524,000	405,000
Refundable contribution (Note 6)	2,562	43,358
Total Liabilities	1,253,395	1,030,213
Commitment (Note 7)		
Net Assets		
Unrestricted net assets	(240,595)	-
Temporarily restricted (Note 3)	5,544,152	2,250,345
Total Net Assets	5,303,557	2,250,345
Total Liabilities and Net Assets	\$6,556,952	\$3,280,558

See notes to financial statements.

REVENUE WATCH INSTITUTE
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Change in Temporarily Restricted Net Assets		
Revenue		
Contributions (Notes 1a and 1c)	\$8,690,873	\$4,080,078
Interest income	632	-
Net assets released from restrictions		
Satisfaction of program restrictions	<u>(5,397,698)</u>	<u>(1,829,733)</u>
Increase in Temporarily Restricted Net Assets	<u>3,293,807</u>	<u>2,250,345</u>
Change in Unrestricted Restricted Net Assets		
Revenue		
Net assets released from restrictions	<u>5,397,698</u>	<u>1,829,733</u>
Expenses		
Program Services	4,450,448	1,463,630
Management and general	<u>1,187,845</u>	<u>366,103</u>
Total Expenses	<u>5,638,293</u>	<u>1,829,733</u>
Change in Unrestricted Net Assets	<u>(240,595)</u>	<u>-</u>
Change in net assets	3,053,212	2,250,345
Net assets, beginning of year	<u>2,250,345</u>	<u>-</u>
Net Assets, End of Year	<u><u>\$5,303,557</u></u>	<u><u>\$2,250,345</u></u>

See notes to financial statements.

REVENUE WATCH INSTITUTE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Cash Flows From Operating Activities		
Change in net assets	\$3,053,212	\$2,250,345
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation	7,172	127
Increase in contributions receivable	(3,096,844)	(862,652)
(Increase) decrease in prepaid expenses	1,940	(27,401)
Increase in accrued expenses	94,337	84,722
Increase in due to Open Society Institute	50,641	497,133
Increase in grants payable	119,000	405,000
Increase (decrease) in refundable contribution	(40,796)	43,358
Net Cash Provided By Operating Activities	188,662	2,390,632
 Cash Flows From Investing Activities		
Acquisition of property and equipment	(107,077)	(2,547)
Net increase in cash and cash equivalents	81,585	2,388,085
Cash and cash equivalents, beginning of year	2,388,085	-
 Cash and Cash Equivalents, End of Year	\$2,469,670	\$2,388,085

See notes to financial statements.

REVENUE WATCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

The Revenue Watch Institute ("Revenue Watch") was incorporated as a District of Columbia non-profit corporation on March 2, 2006. Revenue Watch engages in activities directed to the promotion of sustainable development, good governance and poverty reduction in natural resource-dependent countries through improvement of public finance transparency and accountability. Specifically, Revenue Watch shall support efforts to increase the transparency, accountability and effectiveness of resource revenue management and public expenditures by conducting research; publishing reports; providing information, training and funding to individuals and organizations that monitor or seek to monitor government revenues and expenditures; and facilitating technical assistance to journalists, non-governmental organizations ("NGOs"), policy-makers and government officials.

During 2007 and 2006, Revenue Watch received 100% of its contributions from four foundations and three government agencies.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments, purchased with a maturity of three months or less, to be cash equivalents.

c - Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

d - Property and Equipment

Property and equipment consist primarily of equipment recorded at cost. Equipment is depreciated using the straight-line method over the estimated useful life of the related asset.

e - Grants Awarded

Grants awarded are recognized as expenses in the period the award is made at fair value. Grants payable later than one year from the end of a fiscal year are discounted to present value using a discount rate of 5%. At December 31, 2007 and 2006, all grants are expected to be paid within one year.

REVENUE WATCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

f - Financial Statement Presentation

Revenue Watch reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

g - Tax Status

Revenue Watch is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been designated as an organization which is not a private foundation, within the meaning of Section 509(a) of the IRC, under an advance ruling period which expires December 31, 2010.

h - Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Concentration of Credit Risk

Revenue Watch maintains its cash balances in one financial institution. The balance is insured by the Federal Deposit Insurance Corporation up to \$100,000.

Note 3 - Restrictions on Net Assets

Temporarily restricted net assets are restricted for future periods and programs.

Note 4 - Contributions Receivable

Contributions receivable are due as follows:

	<u>2007</u>	<u>2006</u>
Due in one year	\$2,054,496	\$862,652
Due in two years	<u>2,000,000</u>	<u>-</u>
	4,054,496	862,652
Less: Discount	<u>(96,000)</u>	<u>-</u>
	<u>\$3,958,496</u>	<u>\$862,652</u>

REVENUE WATCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Note 4 - Contributions Receivable (continued)

Uncollectible contributions receivable are expected to be insignificant. Contributions due after one year are discounted to present value using a discount rate of 5%.

The Organization received two awards which are conditional upon the utilization of the funds. Only the amounts received have been reflected in these financial statements.

<u>Date of Award</u>		<u>Total</u>	<u>12/31/07 Conditional Balance</u>
2006	Oil for Development Program (NORAD)	\$3,000,000	\$1,995,544
2007	Bill and Melinda Gates Foundation	\$7,438,984	\$5,066,989

Note 5 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2007</u>	<u>2006</u>
Furniture and equipment	10 years	\$ 40,894	\$2,547
Computer equipment	5 years	28,681	-
Office equipment	7 years	1,349	-
Website (1)		<u>38,700</u>	-
		109,624	2,547
Less: Accumulated depreciation		<u>(7,299)</u>	<u>(127)</u>
		<u>\$102,325</u>	<u>\$2,420</u>

Depreciation expense for the years ended December 31, 2007 and 2006 was \$7,172 and \$127, respectively.

(1) The website is not expected to be completed until 2008.

REVENUE WATCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Note 6 - Refundable Contribution

In 2006, Revenue Watch received a grant in the amount of \$225,000 from the World Bank to support the Extractive Industries Transparency Initiative (EITI) capacity building for civil society groups, with an emphasis on Africa. Revenue Watch was unable to fulfill the terms of the grant agreement and thus returned \$43,358 to the World Bank in 2007.

In 2007, Revenue Watch received a grant for \$55,496. \$2,562 was not expended and returned in 2008.

Note 7 - Commitment

Revenue Watch has a service agreement with the Open Society Institute ("OSI") whereby OSI agreed to provide certain services to Revenue Watch. Pursuant to the agreement, OSI maintains on its payroll and benefit plans certain employees who provide services to Revenue Watch and paid certain administrative expenses. Revenue Watch paid or accrued \$1,113,805 and \$497,133 for the periods ended December 31, 2007 and 2006, respectively, to reimburse OSI for these expenses; \$547,774 and 497,133, respectively, of these amounts are reflected as a liability in the accompanying financial statements.

Note 8 - Functional Allocation of Expenses

The cost of providing the various programs and the supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.